DOCUMENT RESUME

ED 388 761 CE 070 112

TITLE	On Connecting School and Work. EQW Policy Statement.
INSTITUTION	National Center on the Educational Quality of the Workforce, Philadelphia, PA.
SPONS AGENCY	Office of Educational Research and Improvement (ED), Washington, DC.
PUB DATE	95
CONTRACT	R117Q00011-91
NOTE	12p.
AVAILABLE FROM	EQW Publications, University of Pennsylvania, 4200 Pine Street, 5A, Philadelphia, PA 19104-4090; e-mail: eqw-requests@irhe.upenn,edu; EQQ catalog number: PS02.
PUB TYPE	Viewpoints (Opinion/Position Papers, Essays, etc.) (120)
EDRS PRICE	MF01/PC01 Plus Postage.
DESCRIPTORS	*Change Strategies; Cooperative Planning; *Educational Change; Educational Cooperation; *Educational Needs; Educational Policy; *Education Work Relationship; Elementary Secondary Education; Employment Qualifications; Internship Programs; Job Placement; Literature Reviews; Needs Assessment; *Partnerships in Education; Position Papers; *School Business Relationship; School Role

ABSTRACT

Research has confirmed that few U.S. employers see schools as effective partners in their search for skilled workers. The growing disconnection between the nation's schools and business sector is threatening to undermine the educational quality of the U.S. work force. Educators and businesses must, therefore, join forces to develop initiatives that do not require either new funds or additional government agencies but that instead rely on the market to create the incentives for firms to invest in human and physical capital. In addition, a way must be found to lower the costs to employers of screening and hiring new workers. Two strategies appear to be promising ways of strengthening the links between the education and business sectors: (1) making grades and the reputation of a job applicant's school important criteria when hiring young workers and (2) creating internship programs. Studies have shown that businesses using school grades as screening mechanisms in the hiring process have more stable work forces and are more likely to rate their employees as fully proficient in their jobs. Other studies have established that businesses offering internship/apprenticeship programs have better educated work forces and are more likely to use high-performance work systems. (MN)

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EQW POLICY STATEMENT

A Statement by the Advisory Board of the National Center on the Educational Quality of the Workforce (EQW)

ED 388 761

On Connecting School and Work

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The Problem

Few American employers see schools as effective partners in their search for skilled workers. This growing disconnection between the nation's schools and the workplace threatens to undermine the educational quality of the workforce on which American productivity depends.

The Challenge

Develop initiatives that:

- require neither new funds nor another government agency
- rely on the market to create incentives for firms to invest in human and physical capital
- lower the costs to employers of screening and hiring new workers.

A Proposal

To foster education and training and to forge better, more substantive exchanges between employers and schools, create internships that are administered at the state and local levels and make grades and school reputation important criteria when hiring young workers.

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"On Connecting School and Work" by the Advisory Board of the National Center on the Educational Quality of the Workforce.

EQW Catalog Number: PS02

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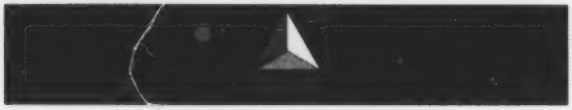

On Connecting School and Work

The American economy is in the midst of an historic transition. The evidence is all around: in the increase in skill requirements as work organization and production systems grow more sophisticated, in the growing importance of competencies that allow employers to train and retrain their most productive employees, and in the broad diffusion of technologies that require simultaneous investment in a firm's stock of human and physical capital.

What this restructuring makes clear is that people do make a difference—the point that new research on business strategies has increasingly driven home. A firm's competitiveness is being defined not so much by its market strategy (how it positions itself vis-à-vis its competitors) as by its internal competencies and capacity to make the most of its unique resources, principally its workforce and workers' skills.

Yet, as the research of the National Center on the Educational Quality of the Workforce (EQW) shows, the transition to an economy founded on new production and employment systems is neither complete nor assured. Too many missed connections remain between firms and their workers, between workers and new technologies, and, most of all, between employers and schools.

Our primary concern, however, remains the condition of American education—and the growing perception that our schools and colleges are failing to produce work-ready citizens. In increasing numbers, Americans have come to believe that neither high school nor college graduates learn basic problem-solving competencies, that too often they know little or nothing about the world of work, and all too often they appear, particularly to would-be employers, as undisciplined and disinterested in work itself.

It is a perspective that the nation can ill afford. The productivity of American businesses is intrinsically linked to the success of the nation's schools and the educational attainment of its students and workers. As firms transform themselves—shedding outdated production systems, recasting older forms of work organization, adopting new technologies, and instituting high-performance systems—they will have to depend increasingly on schools to supply a workforce capable of adapting to these new modes of working. This reliance will require that firms articulate their skill needs to schools. Similarly, to dismiss schools from their share of the responsibility—to let them "off the hook"—is to lessen the capacity of American enterprises and American workers to compete successfully in an increasingly challenging global economy.

Basic Lessons

EQW's research findings demonstrate the linkage between investments in education and training and the restructuring and reorganization of work:

- What often drives the competitiveness of firms is their capacity to make investments in the human capital of their employees. Indeed, a firm's competitiveness is more likely to be a function of the "core competencies" of its workers than of its ability to adopt the practices of a successful competitor.

- High-performance work systems—typically involving job rotation, increased employee involvement, group-based pay, and enriched individual tasks—can yield significantly higher levels of individual performance.

- New forms of work organization also cause shifts in the types of skills a proficient worker needs. These new skills are not occupation-specific but are broader and more general, mainly involving interpersonal and problem-solving capabilities.

- Investments in employee training are a necessary condition for developing the teamwork skills and other abilities central to the success of high-performance work systems.

- When firms have skill shortages, they also experience difficulty transforming their organizations. Some firms that have skill shortages also find it difficult to attract new workers with the requisite skills, and employers who have shortages in one area of skill tend to find they have shortages in all areas.

- Firms often miss the mark when implementing training programs—usually by not putting their money where their skills problems are. For example, the training offered by manufacturing employers frequently fails to match the skills shortages they report. Firms that report more problems with employees' communication and English language skills are less likely to spend money on training in any area—possibly because workers with basic skills problems might not benefit from training in other competencies.

To confirm and extend this understanding of how businesses invest in and use the skills of their employees, EQW surveyed a nationally representative sample of just over 4,000 establishments employing 20 or more workers. The sum of these responses to the EQW National Employer Survey (EQW-NES) adds important detail to our understanding of the restructuring of the American economy:

- A deskilling of work has not occurred. Quite the contrary, only 5 percent of establishments indicated any reduction in the skill requirements of their jobs, while 56 percent reported increasing skill requirements.

- Although the use of high-performance work systems may still be more the exception than the rule, such work practices—represented by benchmarking, job rotation, and formal TQM programs—are becoming the hallmarks of the establishments most likely to invest in the skills of their employees.

- The establishment that makes no training investment in at least some of its workers is a true rarity: 97 percent provide informal (on-the-job) training, and 81 percent provide formal training. Indeed, over half (57 percent) of the establishments reported an increase in formal training over the last three years.

However, the most important contribution of the EQW-NES lies in its documentation of the link between productivity and successful business adaptation, on the one hand, and investments in education and training on the other.

- A basic complementarity can be found between investments in human and physical capital: one cannot proceed without the other. Establishments that train workers, invest in new work organization, and enhance the technologies used by front-

line workers in both manufacturing and non-manufacturing industries have one thing in common: workforces with more years of schooling.

- And those establishments with more educated workforces—as represented by the average years of schooling completed by their employees—are likely to be more productive than firms of the same size competing in the same industry with less educated workforces.

In short, there is a double "payoff" for investments in education. The payoff for workers in terms of increased wages for additional years of schooling has long been recognized. Now, we have equal reason to believe that an increase in the average education of an establishment's workforce has a payoff for employers by enhancing their capacity to change modes of operation and by increasing productivity.

A Fundamental Disconnection

And yet, what employers reported in their responses to the EQW-NES about schools and schooling also suggests that those benefits are now at risk. The survey captured something that most Americans intuitively understand: there is a growing disconnection between the nation's schools and its businesses. Although most employers require workers with higher levels of skills, most do not see schools as effective partners in developing that workforce.

- Employers pay little attention to measurements of school performance when making hiring decisions. Less than 10 percent of the employers surveyed value teachers' recommendations when considering new job applicants. Just 15 percent think grades are important. Less than 20 percent consider the reputation of an applicant's school.

- Most establishments have little or no contact with schools. Two out of three employers do not provide funds, donate equipment, serve on educational advisory boards, or participate in Private Industry Councils. Less than 30 percent offer internships, apprenticeships, or a similar form of on-site work experience, either paid or unpaid.

How does the finding that education is important for enterprise productivity square with the fact that employers devalue schools? It doesn't—and that is the paradox that lies at the rift between employers and schools. How is it that employers can benefit from the educational attainment of their employees yet dismiss the schools responsible for providing that education? What will happen if this disconnection continues?

The result, we fear, will be a significant erosion of education's capacity to contribute to establishment productivity. That was the point Albert Shanker made in his response to the EQW-NES. Writing in his weekly column, "Where We Stand," the president of the American Federation of Teachers noted:

> It's obvious that the less attention employers pay to school performance, the less incentive kids have to achieve and the more poorly prepared they will be... Until businesses can have confidence in student transcripts and recommendations, they will go on disregarding them—and students will continue to conclude that what they do in school does not count.

In the same way that employers' attitudes toward schooling send the wrong messages to students, so do the failures of high-level partnerships involving schools and

business leaders make a negative impression on employers. Many business leaders entered these partnerships with the best of intentions—but, by and large, the accomplishments of these partnerships have been marginal, and they have not tackled the systemic problems of urban public education.

In retrospect, perhaps too much was expected of business-school partnerships to improve student performance in the public schools. Most partnerships had diffuse and unquantifiable goals—while the worst, we hesitate to say, were exercises in public relations. Too often, business participation was part-time at best and handicapped by a lack of knowledge about the workings of the public schools. Even some of the most effective partnerships left school bureaucracies unaccountable for failure and had no effective mechanisms for monitoring and evaluation.

We are left with the uneasy feeling that most employers—convinced that partnerships with schools do not contribute in real ways to the functioning of their businesses and preoccupied with making their firms competitive—no longer rank school reform high on their agendas. What would make employers change their minds about schools? How can employers be convinced that partnerships can succeed, benefiting employers, schools, and students?

Essential Lessons

The answer is a simple one: what is required to end the disconnection between schools and employers are more direct, substantive, and business-like transactions between the two. Employers who disregard schools miss an important opportunity. They must come to understand that schools are often the principal supplier of their workers. When employers discount schools and their graduates without trying to improve them, they ultimately increase their own costs, having to rely on hearsay and crude measures like an applicant's age and number of previous employers to identify potential workers with good attitudes and useful skills. As a result, too many employers spend too much time screening applicants, only to have them not work out during the first months on the job.

Schools, for their part, will have to see employers as customers whose needs must be directly gauged and whose good will and confidence are important to maintain. A necessary step in this process is for schools to accept that a graduate's performance in the labor market is a measure of the school's effectiveness.

We make two recommendations that can be addressed by low-cost, targeted initiatives. As in our first Policy Statement, "Making Good Jobs for Young People a National Priority," we believe that in order to be successful these initiatives should:

- require neither new funds nor another government agency;
- rely on the market to create the incentives for firms to invest in human and physical capital; and
- lower the costs to employers of screening and hiring new workers.

Driving our recommendations is a simple axiom: be practical and think locally. What the nation needs now are concrete, low-cost initiatives—administered at the state and local levels—that foster education and training and that forge better, more substantive

exchanges between employers and schools. To this end, we urge employers to undertake the following:

1. Make Grades and the Reputation of the Applicant's School Important Criteria When Hiring Young Workers.

Using a young person's performance in school as a criterion for employment is both good business and good public policy; it reduces the cost of recruiting and training new workers and teaches students that hard work in school pays off in the labor market. The 15 percent of employers who use grades when screening job applicants share an interesting set of characteristics: they are more likely to have workforces with above-average years of schooling, more likely to report increased job skills, and more likely to use high-performance work practices, particularly job rotation. Establishments that use school grades as screening mechanisms in the hiring process also have more stable workforces and are more likely to rate their employees as fully proficient in their jobs. And not surprisingly, employers in the service industry who check grades before hiring a young worker have more productive workforces.

2. Create Internships.

The EQW-NES revealed that one in four businesses offers programs that bring students into their places of work, principally as interns or apprentices. Taken together, these establishments also share an interesting set of characteristics: their workforces are more educated and more likely to use computers as part of their jobs; they are more likely to use high-performance work systems (as indicated by job rotation, benchmarking, and TQM practices); and they are more likely to report increasing skill requirements for current jobs.

These findings parallel the results of an earlier EQW-sponsored study designed to determine the incentives that would persuade employers to participate in work-based learning or formal school-to-work programs. The first part of this study involved a series of focus groups with employers who had little or no experience with young employees. In general, these employers looked beyond the nation's schools for credible job applicants. Most reported having no contact with a school—in part, because employers sense that most schools are so overwhelmed by the task of getting through the day that they have neither the time nor the energy for contact with employers. These same employers had even less enthusiasm for young people, whom they found to be undisciplined, uncommunicative, disinterested in work, and either unwilling or unable to take a job seriously.

The second part of the study was a survey of firms that participated in work-based learning programs, such as apprenticeships and internships. Among employers participating in these programs, there was a wellspring of support both for the initiatives and for the quality of the young workers they attracted. Most participating firms found their students to be productive and contributing employees. Although they often echoed other employer complaints about the high schools with which they worked—citing that too often the participating schools were not sufficiently organized or did not attach high priority to the program—a clear majority of these employers also reported that they would take additional students later and would recommend the programs to other small-business owners.

More employers need to become involved in this kind of school-business partnership—the kind that works, that contributes to business productivity, that can help

restore employers' faith in the performance measurements that schools provide, and that gives students the incentives to apply themselves in school by making explicit the connection between school and work. We believe that internships—whether for pay, for credit, or, preferably, for both—are a proven means of making that connection. Internships bring students into the world of work and into the kinds of plants, offices, stores, and service agencies where they are likely to spend their working lives. Internships have the added advantage of creating an informal but effective communication channel through which employers learn about schools and their students and through which schools learn about the needs and practices of employers.

What businesses need is reliable information about the quality of the schools from which they recruit new workers. It is the lesson that many of the employers with more educated workforces are learning: school grades, along with previous and successful work experiences, offer a more effective way of screening job applicants than simply relying on the applicant's age and previous work history. Interns, because they both know and represent their schools, can be the best source of that kind of reliable information.

For the schools, the testimony of successful interns may similarly prove to be the most reliable information about the nature and changing demands of the workplace. What has not worked is the formal consultative processes by which employers are asked to specify the kinds of skills their workers either need now or will likely need over the next decade or more. It is not a question to which most employers have a ready answer, nor do they have the experience of casting what they know into the terms expected by those who design curricula. Business schools have learned this lesson well, often drawing on the experiences of the managers they enroll in their executive education programs to "teach" their faculty about how the business of the business is changing. We think this is a lesson that all schools need to learn as well.

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EQW Policy Statements

Authored by the EQW National Advisory Board, ***EQW Policy Statements*** synthesize the Center's related research and offer policy recommendations based on those findings. The first ***Policy Statement***, "Making Good Jobs for Young People a National Priority," tackles the problem of generating meaningful and sustained employment for American youth. "On Connecting School and Work" bases its recommendations on EQW research investigating the relationships among employer practices, employee education, and establishment productivity. A forthcoming ***EQW Policy Statement*** will focus on the growth of technical work in the nation's economy and how education can best prepare students for these occupations.

EQW Policy Statement is a publication of the National Center on the Educational Quality of the Workforce, sponsored by the Office of Educational Research and Improvement, U.S. Department of Education.

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The work reported herein was supported under the Education Research and Development Center Program, agreement number R117Q00011-91, CFDA 84.117Q, as administered by the Office of Educational Research and Improvement, U.S. Department of Education. The findings and opinions expressed in this report do not reflect the position or policies of the Office of Educational Research and Improvement or the U.S. Department of Education.

The Research Connection

EQW Policy Statements are based on findings that emerge from EQW research. The following *EQW* publications contain the reports and analyses that supported "On Connecting School and Work":

RE01	"First Results from the EQW National Employer Survey" by the National Center on the Educational Quality of the Workforce.
RE02	"The Other Shoe: Education's Contribution to the Productivity of Establishments" by the National Center on the Educational Quality of the Workforce.
WP18	"Distinctive Human Resources Are the Core Competencies of Firms" by Peter Cappelli and Anne Crocker-Hefter.
WP22	"What Employers Want: Employer Perspectives on Youth, the Youth Labor Market, and Prospects for a National System of Youth Apprenticeships" by Robert Zemsky.
WP28	"School Lessons, Work Lessons: Recruiting and Sustaining Employer Involvement in School-to-Work Programs" by Irene Lynn and Joan Wills.
WP32	"Skill Demands, Changing Work Organization, and Performance" by Peter Cappelli and Nikolai Rogovsky.
Manuscript	"Employer and Worker Quality Practices: Results of a Recent Survey" by Peter Cappelli.

To order any of these *EQW Working Papers* or to obtain an *EQW Publications Catalog*, which offers a complete listing of available Center publications, write to:

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